represents a very small share of the world export market in all sub-sectors of forestry (in pulp, for example, Chile's share is less than one percent). Second, Chile has no trade barriers for final products, raw materials or equipments other than the 11% flat import tariff. And third, Chile faces no special restrictions for the entry of its forest products in NAFTA markets.

There is one area, however, where differences of opinion may arise between Chile and NAFTA countries, which is the existence of subsidies to reforestation and to native forests in Chile. These subsidies have a large environmental value, and could be justified on economic grounds due to the presence of externalities in the growth of trees. Nevertheless the United States has contested a similar support mechanism used by Canada through what the U.S. considers low "stumpage fees"; these fees represent a royalty or charge (the equivalent of rent) which must be paid to the provincial governments for the right to carry out forestry operation son government-owned land. Unlike Canada, most Chilean forests are privately owned, but the subsidy under DL 701 may be contested on similar grounds.

19.6 **Potential for Canadian Business in the Forestry Sector**

The potential for Canadian exports in the forestry sector is closely linked with the future trends of this sector. Indeed, the reliance on plantations makes it possible to project industrial wood availability toward the end of the present decade. Even maintaining the current level of natural forests, total wood